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MASTER – BUSINESS ADMINISTRATION AND MARKETING

MASTER THESIS

THEME:

**IMPACT OF COSTS IN THE ENTERPRISE'S PERFORMANCE - CASE
STUDY OF "SILCAPOR" ENTERPRISE**

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ABSTRACT

An important factor that determines firm's profits is the cost of manufactured products and services that are offered by the firm. In order to increase the performance, firms follow different policies to minimize costs and maximize profits.

In this thesis will be presented some theoretical aspects on the understanding and definition of costs by different author and types of costs in the short and long term. A special emphasis will be on the economy of scale, respectively the situation when a firm can increase production cost parallel to lowering the average cost and how to achieve the cost-minimization choice of the firm.

Beyond the theoretical analysis of the firm's costs, as the case study will be undertaking "SILCAPOR" company from Kacanik municipality, which deals with production of thermos-isolating blocks. Besides presenting a brief summary of the firm's relevant information, the firm's costs will be analyzed in more detail, highlighting how the costs affect the firm's performance, respectively the increase of profit.

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INTRODUCTION

General introduction

It is a pleasure to have the opportunity to contribute to our society by completing the exams in postgraduate studies through the drafting of the master thesis work. Since the studies were focused on the economy and at all times interest and high scores were shown, especially in subjects closely related to economics and economic analysis, then it was decided to contribute to a cost analysis, respectively how and how much do those impact in the performance and the results of the enterprises.

For the study, the thermo-isolating block production company “SILCAPOR”, which is located in the village of Doganaj of the municipality of Kacanik and which is among the rare factories of this kind in the region

Given the fact that the purpose of the enterprises is to maximize profits, then it would be meaningless for enterprises to try to find opportunities to increase profits by not looking to find ways to identify cases or opportunities to lower high costs or eliminate completely those costs that are unnecessary.

The study is very relevant, especially given that competition is becoming very harsh and consequently one of the forms to achieve the scale economy is exactly cost-action, but without losing quality. Also, studies of this kind do not seem to be so present to us.

This research, in the area of cost analysis is feasible because there is enough literature that is easy to find and has already been contacted with the official person of the company in question and has pledged to provide the help for the data that will be needed about this study. As well as the time, which is not necessarily important for timely completion and for which I think it can be shared, as well as the affiliation with the company in the terms of that location.

After a work that was done in 2011, for the same company, focusing on the CVP (Cost-Volume-Profit) analysis and this in the framework of the managerial accounting subject of bachelor studies, there were cases of mismanagement of costs. So, the purpose of the work is not only the ability to contribute to the enterprise to improve the situation as little as possible but also to serve as a practical contribution to society in the future.

Objectives of the study

Through the literature from various authors we have available and the data that we will get from the enterprise, we aim to achieve these objectives:

1. To introduce the understanding and definition of costs and the difference between accounting costs and economic costs,
2. Know all types of costs at different times,
3. To present the cost-minimizing choice of the enterprise,
4. Analyze data on costs from the company in question, and
5. Give interpretations, conclusions and recommendations for the problem.

Importance of the paper

As mentioned above, this topic is important not only in helping the enterprise for greater efficiency, but I believe it will also be a practical contribution to society by summarizing literature for costs in a single work and by providing a practical example of how the enterprise's performance costs are influenced by the study being conducted on the company in question.

In this study, professional and scientific literature, various publications and scientific and research articles will be used to analyze and present the influence and effects of costs on the enterprise's performance.

Literature will be provided by the library of various universities in and out of the country or through the research of websites of different universities in and out of the country or through the research of the websites of well-known national and international institutions. The material to be used during the research process will also be based on the secondary data collected in the manufacturing company "SILCAPOR". For the achievement of the objectives set out in this paper, scientific methods and methods of analysis, synthesis, comparative methods, induction and deduction methods and other methods will be used depending on the subject of the study. The data collected over the years will be presented through tabular submissions.

CONCLUSION AND ADVICES

Conclusion

From the data presented above it is seen that the well-known factory "SILCAPOR" started production in 1988. From then on until 2005 it is certain that the equipment is outdated or damaged and has been more than necessary since on the occasion of its privatization by the company "Unio Commerce" in 2005, to invest a large sum of money for the training of production facilities. And this has been done rightly and, as it can be seen from the data statements, has yielded satisfactory results. And in 2009, we can say that it has achieved scale economies by producing more output and lower costs. While in 2010, due to the global crisis of that time, some costs have increased considerably and this has sent the enterprise to overpayment by reducing the profit to hundreds of thousands of euros.

Regarding the cost-minimization option, as far as we have data from the enterprise and at least for the years 2005-2009, the enterprise with the investments made has managed to produce larger quantities of output with lower number of workers, consequently at lower cost. So, we can conclude that the enterprise has made the right cost-minimizing choice. While for 2010, by looking at the data from the firm in Table 6, the percentage of costs in relation to revenues was much higher than the previous year, which gives us the understanding that the cost-minimizing choice was not proper.

As to the hypotheses we have put forward in this paper, we can conclude that they are based on the data and completion of the study. The first hypothesis, the focus of marketing management alone, and the shift away from cost-cutting economies of scale, can be seen clearly in 2010, where the percentage of costs in relation to the other parameters is very high and as mentioned in the previous chapter that there was overpayment of the scale. Also, the second hypothesis, unnecessary costs adversely affect the company's performance, is evidently attributable to the high level of profitability in 2010 due to the use of unnecessary costs or the continued use of high-cost resources and materials.